

Cynulliad Cenedlaethol Cymru | National Assembly for Wales

Y Pwyllgor Newid Hinsawdd, Amgylchedd a Materion Gwledig | Climate Change, Environment and Rural Affairs Committee

Fframweithiau cyffredin y DU ar amaethyddiaeth a'r amgylchedd | UK common frameworks on agriculture and environment

UK 05

Ymateb gan : Purfa Penfro Valero

Evidence from : Valero Pembroke Refinery

1. About Valero

1.1. Valero Energy Ltd owns and operates Pembroke Refinery in south west Wales, as well as six terminals across the UK, and the Mainline Pipeline which links Pembroke with the Manchester and Kingsbury terminals. Valero markets fuel in the UK and Ireland under the Texaco brand, with around 850 independently owned and operated Texaco-branded service stations in the UK. In total, Valero employs approximately 800 people in the UK and supports several thousand other jobs at the refinery, terminals and service stations.

2. Valero's position on UK common frameworks for environment and climate change

2.1. Valero welcomes the opportunity to respond to the Climate Change, Environment and Rural Affairs Committee's inquiry into UK common frameworks that might be required after the UK leaves the European Union in areas of EU law within devolved competence for those areas of environmental legislation within the committee's remit.

2.2. As a major energy manufacturer in Wales, Valero is particularly affected by regulatory mechanisms concerning climate change, energy, natural resources planning and other environmental legislation. Our selective response to the Committee's consultation concerns those topics most relevant to Valero's operations in Wales, and contains what we consider to be an important contribution to the debate on Welsh environmental and energy policy.

2.3. As the UK prepares to leave the EU, Valero considers it of vital importance that regulators, policymakers and legislators across the devolution settlement should continue to push for a long-term strategic vision, which recognises the key role oil will play until 2050 and beyond, in terms of economic growth and security of supply. Any strategy should recognise that we are competing in a global market and therefore that we need a regulatory environment that does not put us at a disadvantage with our European neighbours or others. Valero is committed to improving the environmental impact of its operations and products, and over recent years a range of investments have been carried out at Pembroke Refinery to reduce energy consumption and improve the efficiency of our operations as we look to support national and international decarbonisation targets.

2.4. Taking the UK Government's provisional framework analysis of those aspects of EU law that intersect with devolved competence in those areas under the committee's remit into consideration, it is clear that an inordinate amount of policy areas across the three identified categories affect Valero's operations in Wales.

2.5. Across the 49 areas where agreement has been reached for no further action, policy issues such as carbon capture and storage (CCS), control of major accident hazards (COMAH), and the Environmental Impact Assessment (EIA) Directive are just a few of the areas of direct concern to the downstream oil sector in Wales.

2.6. Similarly, amongst the 82 policy areas potentially requiring non-legislative common frameworks, issues such as the Energy Efficiency Directive, the Strategic Environmental Assessment (SEA) Directive and a host of policies concerning the environmental quality of air, the marine environment and waste management show there are a number of important issues where divergent and contradictory regulatory attitudes could have serious repercussions for Valero's business in Wales should such agreement be absent.

2.7. The 24 policy areas subject to further review likewise contain a number of legislative obligations that will require sufficient commonality of purpose and approach between the UK and devolved

governments if serious competitive disadvantages for certain industry sectors are to be avoided. This includes chemicals regulations such as REACH, rules surrounding ozone depleting substances and F-gases as well as the future implementation of the EU Emissions Trading Scheme (ETS).

2.8. Valero believes the UK and devolved governments post-EU membership should look to entrench a regulatory environment that promotes investment and growth, which will necessarily require regulatory stability and predictability. We also consider that regulatory impact assessments should be undertaken to ensure that future legislation - whether at a UK or devolved level - are practical and support economic growth. With that in mind, Valero would encourage common UK frameworks for environmental legislation wherever possible to ensure that industry across the nations of the UK operate on a 'level playing field' as we leave the EU. It is particularly important to recognise that environmental and climate change issues are global in nature, and countries should very reluctantly engage in individual efforts that result in detrimental economic impacts for little or no environmental benefit and 'carbon leakage.'

2.9. However, we also feel that any cross-UK regulations must take account of and respect the devolution settlement in Scotland, Wales and Northern Ireland and recognise the importance of close collaboration between the UK Government and devolved administrations to ensure regulatory standards are maintained between the nations of the UK. Valero therefore does not wish to stipulate any particular method for achieving a UK-wide 'level playing field' for post-EU membership regulations, whether they take the form of legislative or non-legislative frameworks. Indeed Valero would be very comfortable with a system that is not overly prescriptive and allows flexibility in decision-making between different levels of government, providing no undue competitive advantage is allowed to develop to the detriment of different nations and regions of the UK.

2.10. Valero would very strongly encourage policymakers and legislators from across the Welsh devolution settlement to always strive for a pragmatic and cooperative approach to environmental and climate change legislation in the UK, and in particular that more is done to deepen their understanding of the global challenges facing industries such as the downstream oil sector in Wales. This can only be achieved through greater engagement between policymakers and industry, and Valero would welcome all opportunities to help further this understanding

3. Conclusion

3.1. One of the greatest challenges facing the oil refining industry in Wales is the increasing regulatory and legislative burden being imposed on the sector at an international and UK level. Valero therefore reiterates its position that no additional regulatory or legislative impediments should be placed on Welsh-based industry at a devolved level that might place our operations in Wales at a further economic disadvantage in comparison to our international, EU and UK competitors.

3.2. As the UK prepares to leave the EU, Valero would strongly urge governments to recognise the long-term strategic value to the UK and Welsh economy of the oil sector, and recognise the need for a new regulatory convention that acknowledges the need for a legislative 'level playing field' that nonetheless respects the devolution settlement and that allows devolved administrations the flexibility to develop policies to meet each nation's distinctive needs.

3.3. Finally, we would strongly encourage policymakers and legislators from all levels of the devolution settlement to work closely with our industry to ensure that they have a better understanding of our business and of the impact that future regulatory changes may have on it, including unintended consequences from such changes.

3.4. Once again, Valero is incredibly grateful for the opportunity to air our views in this important debate, and we would be delighted to provide any further details at the committee's request.

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